

PRABHAT DAIRY LIMITED

Nomination, Remuneration and Evaluation Policy

Introduction:

The Company considers human resources as its invaluable assets. This policy on nomination, remuneration and evaluation of Directors, Key Managerial Personnel (KMPs) and other employees has been formulated in terms of the provisions of the Companies Act, 2013 and the listing agreement with stock exchanges in order to pay equitable remuneration to the Directors, KMPs and other employees of the Company and to harmonise the aspirations of human resources consistent with the goals of the Company.

Objective and Purpose of the Policy:

The primary objective of the Policy is to provide a framework and set standards for the nomination, remuneration and evaluation of the Directors, Key Managerial Personnel and officials comprising the senior management. The Company aims to retain, motivate and promote talent and ensure long term sustainability of talented managerial persons and create competitive advantage and achieve a balance of merit, experience and skills amongst its Directors, Key Managerial Personnel and Senior Management.

Applicability:

This Nomination, Remuneration and Evaluation Policy (the “Policy”) applies to the Board of Directors (the “Board”), Key Managerial Personnel (the “KMP”) and the Senior Management Personnel of Prabhat Dairy Limited (the “Company”).

“Key Managerial Personnel (KMP) means—

- (i) Chairman & Managing Director;
- (ii) Company Secretary,
- (iii) Whole-time Director;
- (iv) Chief Financial Officer; and
- (v) Such other Officer as may be prescribed.

The term “Senior Management Personnel” means to include all members other than the Directors and KMPs of the Company, who are the functional heads of the departments/divisions/branches of the Company.

Accountabilities:

1. The Board is ultimately responsible for the appointment of Directors and Key Managerial Personnel.
2. The Board has delegated responsibility for assessing and selecting the candidates for the role of Directors, Key Managerial Personnel and the Senior Management of the Company to the Nomination and Remuneration Committee which makes recommendations & nominations to the Board.

Nomination and Remuneration Committee:

The Board has constituted a Nomination and Remuneration Committee which is responsible for:

1. reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, with the objective to diversify the Board;
2. identifying individuals suitably qualified to be appointed as the KMPs or in the senior management of the Company;
3. recommending to the Board on the selection of individuals nominated for directorship;
4. making recommendations to the Board on the remuneration payable to the Directors/ KMPs/Senior Officials so appointed/reappointed;
5. assessing the independence of independent directors;
6. such other key issues/matters as may be referred by the Board or as may be necessary in view of the Listing Agreement and provision of the Companies Act 2013 and Rules thereunder.
7. to make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;
8. ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks;

9. to devise a policy on Board diversity;
10. to develop a succession plan for the Board and to regularly review the plan;

The Nomination and Remuneration Committee comprises of the following:

- a) The Committee shall consist of a minimum 3 non-executive directors, majority of them being independent.
- b) Minimum two (2) members shall constitute a quorum for the Committee meeting.
- c) Membership of the Committee shall be disclosed in the Annual Report.
- d) Term of the Committee shall be continued unless terminated by the Board of Directors.

Chairman of the Committee:

- a) Chairman of the Committee shall be an Independent Director.
- b) Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
- c) In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.
- d) Chairman of the Nomination and Remuneration Committee meeting could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

Committee Members' Interest:

- a) A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.
- b) The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

Voting:

- a) Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.
- b) In the case of equality of votes, the Chairman of the meeting will have a casting vote.

Appointment of Directors/KMPs/Senior Officials:

1. Enhancing the competencies of the Board and attracting as well as retaining talented employees for role of KMP/a level below KMP are the basis for the Nomination and Remuneration Committee to select a candidate for appointment to the Board. When recommending a candidate for appointment, the Nomination and Remuneration Committee shall have regard to:

- assessing the appointee against a range of criteria which includes but not be limited to qualifications, skills, regional and industry experience, background and other qualities required to operate successfully in the position, with due regard for the benefits from diversifying the Board;
- the extent to which the appointee is likely to contribute to the overall effectiveness of the Board, work constructively with the existing directors and enhance the efficiencies of the Company;
- the skills and experience that the appointee brings to the role of KMP/Senior Official and how an appointee will enhance the skill sets and experience of the Board as a whole;
- the nature of existing positions held by the appointee including directorships or other relationships and the impact they may have on the appointee's ability to exercise independent judgment;

2. Personal specifications:

Qualification:

- Degree holder in relevant disciplines (e.g. management, accountancy, legal); or
- Recognised specialist

Experience:

- Experience of management in a diverse organisation
- Experience in accounting and finance, administration, corporate and strategic planning or fund management
- Demonstrable ability to work effectively with a Board of Directors

Skills:

- Excellent interpersonal, communication and representational skills
- Demonstrable leadership skills
- Extensive team building and management skills
- Strong influencing and negotiating skills

- Having commitment to continuous professional development to refresh knowledge and skills

Abilities and Attributes:

- Commitment to high standards of ethics, personal integrity and probity
- Commitment to the promotion of equal opportunities, community cohesion and health and safety in the workplace

Letters of Appointment:

Each Director/KMP/Senior Officials is required to sign the letter of appointment with the Company containing the terms of appointment and the role assigned in the Company.

Remuneration of Directors, Key Managerial Personnel and Senior Management:

The Company shall remunerate all its personnel reasonably and sufficiently as per industry benchmarks and standards. The remuneration shall be commensurate to retain and motivate the human resources of the Company. The compensation package will also take into account the experience of the personnel, the complexity of the job, work duration and risks & responsibilities associated with the work.

The objective is to set the total remuneration at levels to attract, motivate and retain high-calibre and high potential personnel in a competitive global market. The total remuneration level is to be reset annually based on a comparison with the relevant peer group present globally, established through independent compensation surveys, from time to time.

General:

1. The remuneration / compensation / commission, etc. to Directors, KMPs and other senior officials will be determined by the Committee and recommended to the Board for approval.
2. The remuneration payable to Directors, KMPs and other senior officials shall be valued as per the provisions of the Income Tax Act, 1961 and the rules framed thereunder.
3. All the remuneration payable by the Company shall be subject to deduction of tax at source at the applicable rates.
4. The Nominations & Remuneration Committee shall determine individual remuneration packages for Directors, KMPs and Senior Officials of the Company taking into account factors it deems relevant, including but not limited to market, business performance and practices in comparable companies, having due regard to financial and commercial health of

the Company as well as prevailing laws and government/other guidelines. The Committee may consult with the Chairman of the Board as it deems appropriate. Remuneration of the Chairman shall be recommended by the Committee to the Board of the Company.

Remuneration to Executive Directors:

1. The remuneration including commission / increments to be paid to the Managing Director / Whole time Director / Manager / Executive Directors shall be in accordance with the provisions of the Companies Act, 2013 and the Rules made thereunder as well as within the limits approved by the shareholders of the Company, if any.
2. Where any insurance taken by the Company on behalf of its Managing Director, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as a part of the remuneration payable to any such personnel. Provided that if such person is proved guilty, the premium paid on such insurance shall be treated as part of the remuneration.

Remuneration to Non-executive / Independent Directors:

1. The remuneration payable to each Non-executive Director shall be based on the remuneration structure as determined by the Board and as revised from time to time depending on individual contribution, the Company's performance, and the provisions of the Companies Act, 2013 and the Rules made thereunder.
2. The remuneration to the Non-executive Directors including Independent Director may be paid within the monetary limit approved by the shareholders, subject to the overall limits not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Companies Act, 2013.
3. The Non-executive Directors including Independent Directors shall be entitled to receive sitting fees for every meeting of the Board of Directors or any Committee thereof. The amount of the sitting fee shall be such amount as approved by the Board of Directors as per the provisions of the Companies Act, 2013 and the Rules made thereunder.
4. The Non – executive Directors including Independent Directors shall also be entitled to be reimbursed for the travelling expenses for attending the Board / committee meetings. They shall also be reimbursed for the accommodation expenses maximum for a period of 2 days if all the meetings of the Board and Committee are scheduled in a single day and for 3 days if the meetings are scheduled for 2 consecutive days, and for attending those meetings they are required to stay in a hotel. Alternatively, the Company may make arrangement at its own cost for their stay.

5. The Independent Directors shall not be entitled to any stock options of the Company.

Remuneration to KMPs and other senior officials:

The Directors, Key Management Personnel and other senior official's salary shall be based and determined on the individual person's responsibilities, performance, experience, leadership abilities, initiative taking abilities, knowledge base and in accordance with the limits as prescribed statutorily, if any.

Components of Remuneration:

The Committee would determine the remuneration of Directors and KMPs and formulate guidelines for remuneration payable to other employees.

The remuneration and reward structure for Directors, KMPs and other senior officials may comprise of two broad components:

1. Annual Remuneration;
2. Long term rewards

1. **Annual Remuneration:** It refers to the annual compensation payable to the employees of the Company. This may comprise of the following:

- a. **Fixed compensation:** The fixed salaries shall be competitive and based on the individual personnel's responsibilities, performance, designation and grade.
- b. **Variable compensation:** The variable compensation shall be a performance linked variable component based on the extent of achievement of the individual's objectives and performance of the business unit. Every employee shall sign a performance contract which clearly articulates the key performance measures for that particular defined role. This variable compensation will be directly linked to the performance on individual components of the performance contract and the overall performance of the business. Provided however that such variable salaries shall not exceed 10% percentage of the fixed annual salaries of such individual employee. An employee's variable pay would therefore, be directly dependent on key performance measures that represent the best interest of shareholders.
- c. **Non-monetary benefits:** Senior management personnel of the Company may be entitled to customary non-monetary benefits such as Company cars and free internet access, laptops, mobiles, accommodation (furnished / unfurnished), etc. within the overall limits of remuneration approved for such personnel.

- d. Gratuity/group insurance: Personnel may also be entitled to group insurance and other key man insurance protection. Further as required by the law necessary gratuity shall be paid to the personnel.

Commission: The directors may be paid commission if approved by the shareholders. The shareholders may authorise the Board to declare commission to be paid to any director of the Board.

Long term Rewards: This may include long – term incentive plans under which incentives may be granted to eligible key employees based on their contribution to the performance of the Company, relative position in the company and length of service under the supervision and approval of the Committee. The company could implement various long term awards / schemes that could include long term incentive programme spread over several years with payouts in multiple tranches linked to the Company’s performance. Another form of long term awards could be in the nature of stock options of the Company which may be granted to key employees and high performers in the Company who would be selected by the Committee based on their criticality, past performance and potential. The grant, vesting and other scheme details would be formulated by the Committee from time to time. these long term reward schemes would be implemented to attract and retain key talent in the industry.

Evaluation / Assessment of Directors/ KMPs/Senior Officials of the Company:

The evaluation/assessment of the Directors, KMPs and the senior officials of the Company is to be conducted on an annual basis and to satisfy the requirements of the Listing Agreement.

The following criteria may assist in determining how effective the performances of the Directors/KMPs/Senior officials have been:

- Leadership & stewardship abilities
- contributing to clearly defined corporate objectives & plans
- Communication of expectations & concerns clearly with subordinates
- obtain adequate, relevant & timely information from external sources.
- review & approval achievement of strategic and operational plans, objectives, budgets
- regular monitoring of corporate results against projections
- identify, monitor & mitigate significant corporate risks
- assess policies, structures & procedures
- direct, monitor & evaluate KMPs, senior officials
- review management’s succession plan
- effective meetings
- assuring appropriate board size, composition, independence, structure
- clearly defining roles & monitoring activities of committees

- review of company's ethical conduct

Evaluation on the aforesaid parameters will be conducted by the Independent Directors for each of the Executive/Non-Independent Directors in a separate meeting of the Independent Directors.

The Executive Director/Non-Independent Directors along with the Independent Directors will evaluate/assess each of the Independent Directors on the aforesaid parameters. Only the Independent Director being evaluated will not participate in the said evaluation discussion.

Deviations from the Policy:

The Nomination and Remuneration Committee or the Board may deviate from this Policy if there are specific reasons to do so in an individual case and in case of any such deviations, the statutory approvals, if any as required shall be obtained by the Company and remuneration shall be paid subject to such statutory approvals.

Amendments to the Policy:

This Policy is framed based on the provisions of the Companies Act, 2013 and the Rules thereunder and the listing agreement with stock exchanges.

In case of any subsequent changes in the provisions of the Companies Act, 2013 or any other regulations which makes any of the provisions of this Policy inconsistent with the act or regulations, then the provisions of the Act or regulations would prevail over the Policy and the provisions of this Policy would be modified in due course to make it consistent with the law.

This Policy shall be reviewed by the Nomination and Remuneration Committee as and when any changes are to be incorporated in the Policy due to change in regulations or as may be felt appropriate by the Committee. Any changes or modifications in the Policy as recommended by the Committee would be given for approval of the Board of Directors.
